March 16, 2010

My name is Rick Giordano, as a financial and business consultant, I show people and businesses how to save and make money. Former Speaker of the House Jim Amann wanted to be here to express his support for this proposal because passing this Act would put things in motion that would create Jobs, Jobs, and Jobs. Jim wanted me to say hello and that he is remaining busy today in Washington, D.C.

Consumer and Business confidence determines the propensity to spend, which effects velocity of money trading hands. I will show how $1.00 in sales generates $1.00 in sales tax for the State when velocity of the $1.00 goes around 4 times through 4 entities.

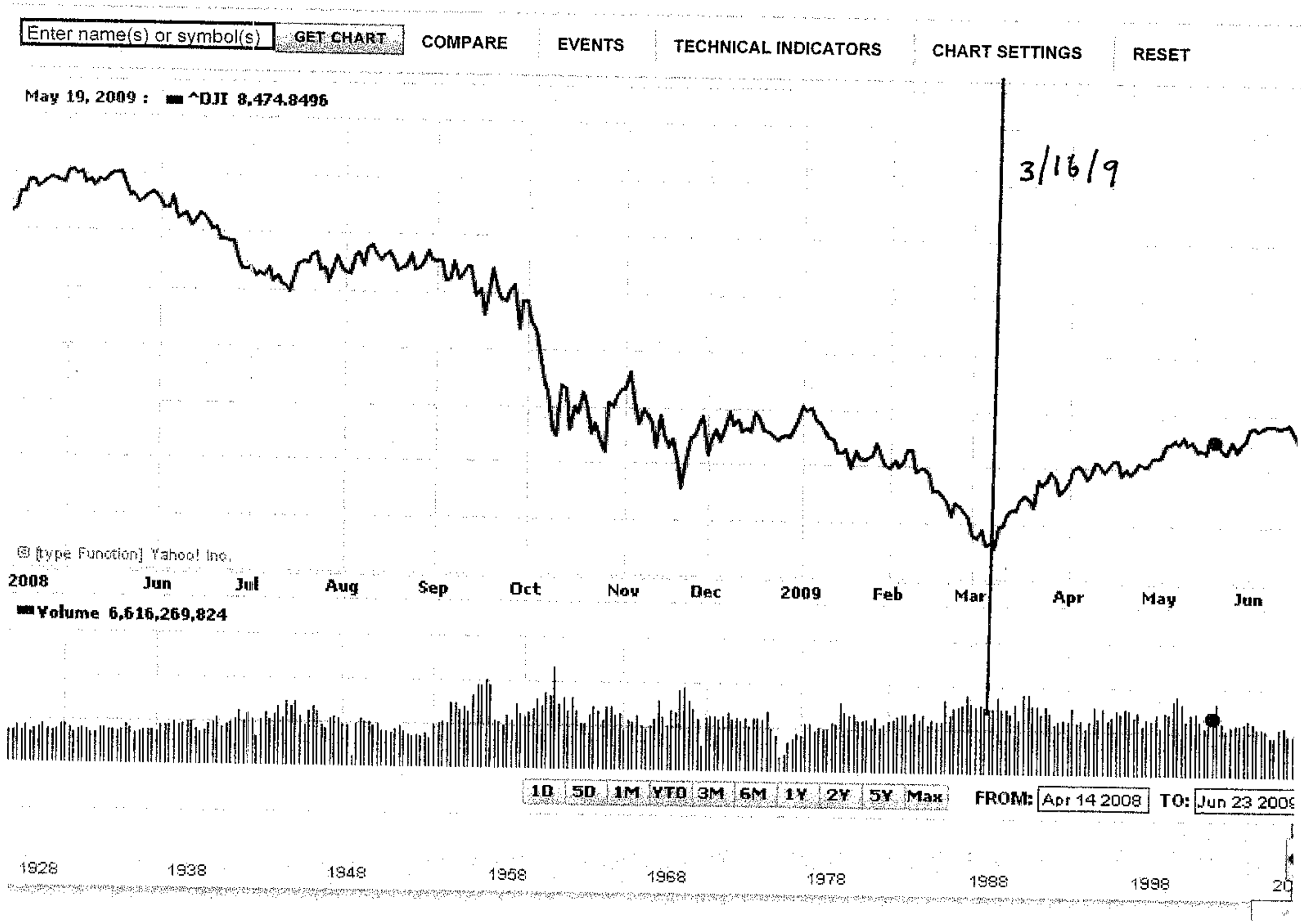
When there is little or NO confidence that the consumer or business owner will get a $1.00 back if they spend it, then they will NOT spend or invest (preservation of capital) and the velocity of the $1.00 will slow. So if the $1.00 is only traded one time through the same 4 entities, only .25 cents in sales taxes will be created. Lack of confidence in getting credit to creditworthy consumers and small businesses has contributed greatly to the financial crisis that we are experiencing in our State revenues. It is clear to many of us that we will not be able to cut enough out of the state budget to get it in balance. We can not increase taxes and expect positive response. We need to grow and create jobs in order to generate the revenues the State needs to be in balance. This legislation will accomplish that objective.

In order for companies to create jobs they need confidence that when they invest a dollar they will at least get their dollar back. Companies will grow and create opportunities here in CT if they are confident that they have access to capital. Businesses will consider moving here, if Connecticut provides a way to free up capital. The banks and financial institutions will lend, if they have confidence that they can sell off a new loan to create liquidity that they may need show the bank regulators their capital ratios are appropriate for the risks they are taking. The banks are holding onto their dollar because they don't have the confidence they will get it back or that they will be able to sell the loan in order to create the liquidity they need to stay in business.

I commend this Committee for the courage last year to pass this bill. I believe that knowledge of this bill making its way through our State legislature last year (See Senator Dodd and Lieberman's March 3, 2009 letter to Sec. Geithner) encouraged Sec Geithner to take action one year ago today. On March 16, 2009 Sec Geitner made a public announcement as referenced in the 3rd paragraph. This action of securitizing the SBA loans restored confidence in the stock market which now marks a historic bottom to the stock market that has doubled during this past year.

Recently, President Obama said in his 2010 State of the Union speech that he now wanted to use the TARP money to give $30 Billion dollars to the Community Economic Banks thereby creating a new lending program very similar to what our legislation was attempting to accomplish. This marks a change in Sec Geithner's March 3, 2009 statement about NOT wanting to create a loan program. The U.S. Senate responded to this new loan program by saying that the TARP fund was not created for this purpose and will not authorize the money for this use. The TARP money was appropriated to buy loans. By passing this proposed legislation, we will create the securitization vehicle that will enable TARP to buy its loans, thereby accomplishing President Obama's intention to fund the Community Economic Bank to lend. If we pass this legislation, we will get a different response from the Department of Treasury today. In addition, this legislation will not have to go for funding if the State uses the $100 Million of unused Bond money that Governor Rell and the legislature have already appropriated in order to create the securitization vehicle that President Obama can use to fund the Community Economic Banks. Governor Rell indicated that she wanted to use this unused Bond money for Small Business Lending and this method would enable us to multiply the initial $100 Million many times. We have been given a road map from Treasury Sec Geithner and President Obama on how we can move forward and create the confidence during this economic environment which will lead to creating jobs and attracting job growth here in CT.

I encourage the State Legislature and Governor Rell to work together on passing this legislation in order to put the words into action saying: "we not only want jobs to stay in CT, but we are providing an environment that will attract those companies that will provide jobs too."



Contact
Rick Giordano
203.216.5423
rick@yourinsuranceagency.net

Lending Falls at Epic Pace   WSJ.com   02/28/10

U.S. banks posted last year their sharpest decline in lending since 1942, suggesting that the industry's continued slide is making it harder for the economy to recover

FDIC Chairman Sheila Bair said banks are "bumping along the bottom of the credit cycle" and that the number of bank failures in 2010 will likely eclipse the 140 recorded last year.

The struggling U.S. banking industry remains a problem for policy makers eager for banks to lend again. Lawmakers on Capitol Hill and administration officials have pushed banks to lend, particularly in light of the billions in taxpayer aid injected into the financial industry over the past two years. Banking groups and their members counter that they're under pressure from regulators to be more prudent and that demand from struggling consumers and businesses isn't there.

Initiatives such as the Obama administration's $30 billion small-business lending program will rely on banks making loans at a time when many of those same firms are wrestling with a rising tide of commercial real estate problems or being told to add to their reserves by regulators.

Some small-business owners say they could expand if they could just get a loan. Nick Sachs, president of Homewatch CareGivers Cincinnati-Metro, says he's been asking banks for a loan of $150,000 to $250,000 since 2008. He says his home-health-care franchise could hire 20 to 30 aides and even one or two office assistants.

After being rejected for a loan by Huntington Bancshares Inc. over a year ago, Mr. Sachs recently re-applied to the Columbus, Ohio, bank. He did so in part because Huntington said in February that it would double its annual small-business lending over the next three years and extend credit to as many as 27,000 more businesses.

"My conversation with the banker was identical to the conversations in 2008," Mr. Sachs said. In both cases, Huntington's representative suggested that a loan from the government's Small Business Administration would be the best fit for the company. The banker collected the paperwork for the application, like tax returns and a business plan, Sachs said, but didn't ask many questions about how the company planned to use the funds. "I am very doubtful," he said. "I've been down this road before."

Maureen Brown, a Huntington spokeswoman, said the bank's "turnaround loans" have been well-received. She said the bank doesn't comment on individual loan applicants. Huntington has posted a string of five quarterly losses dating to 2008.

The FDIC said that the decline in loan balances in the quarter hit all major categories—from construction to commercial loans and residential mortgages—with the exception of credit card loans.

It remains unclear whether the sharp decline in loans outstanding stems from banks' tightening standards and a fear of lending or from weak demand from potential borrowers spooked by the downturn. Another cause could be banks actively reducing the size of their loan portfolios, creating a natural decline.

Jayan Dhru, Standard & Poor's global head of Financial Services Ratings, says U.S. banks are still in recovery mode as they manage the credit cycle while reducing leverage and risk. Reforming the banking sector will have unintended consequences on the broader economy.

Most surveys suggest a combination of factors is at play. A January survey by the Federal Reserve of senior loan officers showed banks have slowed their efforts to tighten lending standards, but have not backed off the more stringent loan terms they put in place over the past two years. The same report, however, also showed that demand for loans from businesses and consumers continues to fall.

"Lending has been weak and spending by businesses and consumers has also been weak," FDIC Chief Economist Richard Brown said.

Bankers, on the other hand, say creditworthy borrowers are hard to come by. Fifth Third Bancorp recently extended a $3.5 million line of credit to Chicago-based One Hope United after the state of Illinois, beset by a budget crisis, delayed payments to the child-and-family-services provider.

Steve Abbey, Fifth Third senior vice president, said One Hope United is a rare exception of a nonprofit borrower that could qualify for credit from Fifth Third because of a cash crunch. Most other nonprofits that need cash right now, "haven't set themselves up to borrow money and pay it back," Mr. Abbey said. "They just need money."

The FDIC's Ms. Bair said officials are eager for banks to make loans in their communities, putting the onus on the bigger institutions to do more small-business lending. "The larger institutions I think need to step up to the plate here too," Ms. Bair said, describing as "significant" the declines in their loan balances and credit lines.

One issue complicating banks' ability to lend is the looming problem of troubled commercial-real-estate loans. The FDIC's Mr. Brown said these loans take longer than residential mortgages to go bad, dragging out the hit to a bank's balance sheet.

The FDIC's report revealed that asset-quality indicators for banks continued to deteriorate in the fourth quarter as borrowers continued to fall behind on their loans. Banks wrote down $53 billion in loans in the final three months of last year. The quarterly write-off rate was the highest ever recorded in the 26 years the FDIC has collected the data. A total of $391.3 billion of all loans and leases, or 5.4%, were at least three months past due at the end of 2009.

"While the economy is moving ahead banking results tend to lag behind," Mr. Brown said. "The problem loans and the earnings of the industry will improve somewhat after the economy improves."

Write to Marshall Eckblad at marshall.eckblad@dowjones.com